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2020 Investment Climate Statements: Uruguay

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Executive Summary

The Government of Uruguay (GoU) recognizes the important role foreign investment plays in economic development and offers a stable investment climate that does not discriminate against foreign investors. Uruguay's legal system treats foreign and national investments equally, most investments are allowed without prior authorization, and investors can freely transfer the capital and profits from their investments abroad. International investors can choose between arbitration and the judicial system to settle disputes. Local courts recognize and enforce foreign arbitral awards.

In 2019, Transparency International ranked Uruguay as the most transparent country in Latin America and the Caribbean. The World Bank's 2020 "Doing Business" Index placed Uruguay fourth out of twelve countries in South America. Uruguay is a stable democracy. U.S. firms have not identified corruption as an obstacle to investment. As of April 2020, Standard & Poor and Moody's rate Uruguay two steps above the investment grade threshold with a stable outlook.

Domestic and foreign investment rose substantially from 2004-2014 following Uruguay´s economic boom, but have dropped significantly since 2015 despite tax incentives for inves passed in mid-2018. About 120 U.S. firms operate locally and are invested among a wide sectors, including forestry, tourism and hotels, services, and telecommunications. In 2018, the United States was the second largest investor in Uruguay, reflecting its longstanding presence in the country. Uruguay has bilateral investment treaties with over 30 countries, including the United States. The United States does not have a double-taxation treaty with Uruguay. Both countries have a Trade and Investment Framework Agreement in place, and have signed agreements on open skies, trade facilitation, customs mutual assistance, promotion of small and medium enterprises, and social security totalization.

Over the past decade, Uruguay strengthened bilateral trade, investment, and political ties with China, its principal trading partner. In August 2018, Uruguay was the first country in the Southern Cone to join China's One Belt One Road initiative. Uruguay formally joined the Asian Infrastructure Investment Bank in 2020. In recent years, China has signaled openness to a free trade agreement either with Uruguay bilaterally or with Mercosur.

A 2018 survey by Uruguay's Ministry of Economy and Finance showed that about half of foreign investors were satisfied or very satisfied with Uruguay´s investment climate, principally its rule of law, low political risk, macroeconomic stability, strategic location, and investment incentives. Almost all investors were satisfied or highly satisfied with Uruguay's 11 free trade zones and free ports. However, roughly one-fourth of investors were dissatisfied with at least one aspect of doing business locally, expressing concerns about high labor costs and taxes, high energy costs, as well as unions and labor conflicts. Following a March 2020 change of government from the left-leaning Frente Amplio to a coalition under the centrist Partido Nacional party, private sector representatives expect the new administration will have a more balanced approach on labor relations.

Uruguay is a founding member of Mercosur, the Southern Cone Common Market created in 1991 that is headquartered in Montevideo and also comprises Argentina, Brazil, and Paraguay. (Note: Venezuela joined the bloc in June 2012 and was suspended in December 2016.) Uruguay has separate trade agreements with Bolivia, Chile, Colombia, Ecuador, and Peru, all of which are also Mercosur associate members. Uruguay and Mexico have a comprehensive trade agreement in place since 2004, and in 2018, Uruguay extended its existing free trade agreement with Chile to increase trade in goods and services.

Uruguay's strategic location (in the center of Mercosur's wealthiest and most populated a
and its special import regimes (such as free zones and free ports) make it a well-situated

distribution center for U.S. goods into the region. Several U.S. firms warehouse their products in Uruguay's tax-free areas and service their regional clients effectively. With a small market of high-income consumers, Uruguay can also be a good test market for U.S. products. U.S.-Uruguay IT services trade is also a recent growth area.

Table 1: International Rankings and Statistics

Measure	Year	Index/Rank	Website Address
TI Corruption Perceptions Index	2019	21 of 180	http://www.transparency.org/research/cpi/overview
World Bank's Doing Business Report "Ease of Doing Business"	2020	101 of 190	http://www.doingbusiness.org/en/rankings
Global Innovation Index	2019	66 of 129	https://www.globalinnovationindex.org/analysis-indicator_Global_Innovation_Index
U.S. FDI in Partner Country ($M USD, stock positions)	2018	1,314	https://apps.bea.gov/international/di1usdbal
World Bank GNI per capita	2018	15,650	https://data.worldbank.org/indicator/NY.GNP.PCAP.CD?locations=UY

1. Openness To, and Restrictions Upon, Foreign Investment

Policies towards Foreign Direct Investment

Uruguay recognizes the important role foreign investment plays in economic development offers a stable investment climate that does not discriminate against foreign investors. Uruguay's legal system treats foreign and national investments equally, most investments are allowed without prior authorization, and investors can freely transfer the capital and profits from their investments abroad. Investors can choose between arbitration and the judicial system to settle disputes. The judiciary is independent and professional.

Foreign investors are not required to meet any specific performance requirements. Moreover, foreign investors are not subject to discriminatory or excessively onerous visa, residence, or work permit requirements. The government does not require that nationals own shares or that the share of foreign equity be reduced over time, and does not impose conditions on investment permits. Uruguay normally treats foreign investors as nationals in public sector tenders. Uruguayan law permits investors to participate in any stage of the tender process.

Uruguay's export and investment promotion agency, Uruguay XXI (**http://www.uruguayxxi.gub.uy**), provides information on Uruguay's business climate and investment incentives, at both a national and a sectoral level. The agency also has several programs to promote the internationalization of local firms and regularly participates in trade missions.

There is no formal business roundtable or ombudsman responsible for regular dialogue between government officials and investors. Uruguay levies value-added and non-resident income taxes on foreign-based digital services, while locally-based digital services are generally tax exempt. Tax rates vary depending on whether the company provides audiovisual transmissions or intermediation services, and on the geographical locations of the company and consumers of the service.

Limits on Foreign Control and Right to Private Ownership and Establishment

Aside from the few limited sectors involving national security and limited legal government monopolies in which foreign investment is not permitted, Uruguay practices neither *de jure* nor *de facto* discrimination toward investment by source or origin, with national and foreign investors treated equally.

In general, Uruguay does not require specific authorization for firms to set up operations, import and export, make deposits and banking transactions in any particular currency, or obtain credit. Screening mechanisms do not apply to foreign or national investments, and investors do not need special government authorization for access to capital markets or to foreign exchange.

Other Investment Policy Reviews

Uruguay is a member of the UN Conference on Trade and Development (UNCTAD), but the organization has not yet conducted an Investment Policy Review on the country.

Uruguay is not a member of the Organization for Economic Cooperation and Development (OECD), but even so, it has gradually endorsed several principles and joined some of its institutions. Uruguay is a member of the OECD Development Center and its Global Forum on Transparency and Exchange of Information for Tax Purposes, and it participates in its Pro
for International Student Assessment (PISA). In September 2018, high-level Uruguayan

government officials expressed interest in joining the OECD's Investment Committee, but adherence is still pending. The Partido Nacional administration that took office in March 2020 has not yet taken a position regarding potential OECD membership. The World Trade Organization published its Trade Policy Review of Uruguay, which included a detailed description of the country's trade and investment regimes in 2018 and is available at **https://www.wto.org/english/tratop_e/tpr_e/tp474_e.htm** .

Business Facilitation

Uruguay is ranked 66th in the World Bank's "starting a business" sub-indicator, well ahead of its overall aggregate ranking of 101st for the ease of doing business. Domestic and foreign businesses can register operations in approximately seven days without a notary at **http://empresas.gub.uy** . Uruguay receives high marks in electronic government. The UN's 2018 Electronic Government Development and Electronic Participation indexes (latest edition available) ranked Uruguay third in the entire Western Hemisphere (after the United States and Canada).

Recently, U.S. industrial small- to medium-sized U.S. enterprises (SMEs), in chemical production for example, describe the Uruguayan market as difficult for new foreign entrants. Those SMEs pointed to legacy business relationships and loyalties, along with a cultural resistance by distributors and clients to trusting new producers.

Outward Investment

The government does not promote nor restrict domestic investment abroad.

2. Bilateral Investment Taxation Treaties

In November 2005, Uruguay and the United States signed a Bilateral Investment Treaty (BIT) to promote and protect reciprocal investments. The BIT, which entered into force on November 1, 2006, grants national and most-favored-nation treatment to investments and investors sourced in each country. The agreement also includes detailed provisions on compensation for expropriation, and a precise procedure for settling bilateral investment disputes. The anne include sector-specific measures not covered by the agreement and specific sectors or ac that governments may restrict further. The BIT is available at **https://ustr.gov/trade-agreements/bilateral-investment-treaties/bit-documents** .

Besides the United States, Uruguay has Bilateral Investment Agreements in force with 30 countries from different regions. The full list is available at **https://investmentpolicyhub.unctad.org/IIA/** .

Partly prompted by the OECD including Uruguay in its 2009 grey list of jurisdictions that had not "committed to implement the internationally agreed tax standard," over the past decade, Uruguay has endorsed OECD standards on transparency and exchange of information and upgraded several regulations. In 2012, the OECD acknowledged Uruguay's progress and allowed Uruguay to move on to the second phase of the review process, consisting of a survey of the practical implementation of the standards. In 2016, Uruguay passed a fiscal transparency law. In 2017, it began implementing an automatic exchange of tax information with the countries with which it has established Tax Information Exchange Agreements (TIEAs). In February 2020, Uruguay deposited its instrument of ratification for the OECD's Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting.

Uruguay and the United States do not have double taxation or tax information agreements in place. The OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes indicates that Uruguay has exchange-of-information relationships with 35 jurisdictions through 21 double-taxation agreements and 16 Tax Information Exchange Agreements. The full list is available at **http://www.eoi-tax.org/jurisdictions/UY#agreements** .

A social security totalization agreement with the United States has been in effect since November 2018. The agreement eliminates dual social security taxation and helps workers who have split their careers between the United States and Uruguay to meet the minimum eligibility requirements (years worked) more quickly by adding together years worked in both countries to qualify for benefits (**https://www.ssa.gov/international/Agreement_Texts/uruguay.html**)

3. Legal Regime

Transparency of the Regulatory System

Transparent and streamlined procedures regulate local and foreign investment in Uruguay at the state and national level. Uruguay has state and national regulations. The Constitution does not provide for supra-national regulations. Most draft laws, except those having an impact on public finances, can start either in the executive branch or in the parliament. Uruguay's president needs the agreement of all ministries with competency on the regulated matter to issue decrees. Ministers may also issue resolutions. All regulatory actions —including bills, laws, decrees, and resolutions — are publicly available at **https://www.presidencia.gub.uy/normativa** .

The U.S. government's Fiscal Transparency Report labels Uruguay as a fiscally transparent country. Public finances and debt obligations, including explicit and contingent liabilities, are transparent. Accounting, legal, and regulatory procedures are transparent and consistent with international norms. The government only occasionally proposes laws and regulations in draft form for public comment. Parliamentary commissions typically engage stakeholders while discussing a bill. Non-governmental organizations or private sector associations do not manage any informal regulatory processes. Article 10 of the U.S.–Uruguay BIT mandates that both countries publish promptly or make public any law, regulation, procedure, or adjudicatory decision related to investments. Article 11 sets transparency procedures that govern the accord.

International Regulatory Considerations

Uruguay is a member of several regional economic blocs, including Mercosur and the Latin American Integration Association (ALADI, by its Spanish acronym), neither of which have supranational legislation. In order to create local law, Uruguay's parliament must ratify these blocs' decisions. Uruguay is also a member of the WTO and notifies all draft technical regulations to its committee on technical barriers to trade.

Legal System and Judicial Independence

The legal system in Uruguay follows civil law based on the Spanish civil code. The highest court in the country is the Supreme Court of Uruguay. The executive branch nominates judges and the Parliament's General Assembly appoints them. Judges serve a ten-year term and can be reelected after a lapse of five years following the previous term. Other subordinate courts include the court of appeal, district courts, peace courts, and rural courts. Uruguay has a written commercial law and specialized civil courts.

The judiciary remains independent of the executive branch. Critics of the court system complain that its civil sector can be slow. The executive branch rarely interferes directly in judicial matters, but at times voices its dissatisfaction with court rulings. Investors can appeal regulations, enforcement actions, and legislation. International investors may choose between arbitration and the judicial system to settle disputes.

Laws and Regulations on Foreign Direct Investment

Uruguayan law treats foreign and domestic investment alike. Law No. 16,906 (passed in 1998) declares that promotion and protection of investments made by both national and foreign investors are in the nation's interest, and allows investments without prior authorization or registration. The law also provides that investors can freely transfer their capital and profits abroad and that the government will not prevent the establishment of investments in the country.

In May 2018, Uruguay amended Decree 002/12 (with Decree 143/018) to further strengthen incentives for investment and advance a number of Uruguay's strategic goals, such as creating jobs, fostering research and development, and developing clean energy production.

Government tenders favor local products or services, provided that they are of comparable quality and any cost increase is no more than 10 percent. U.S. and other foreign firms are able to participate in local or national government financed or subsidized research and development programs. Uruguay's accountancy and administration document (Texto Ordenado de Contabilidad y Administración Financiera del Estado, TOCAF) contains the norms and regulations that govern public purchases, including the laws, decrees, resolutions, and international agreements that apply to the contracting process.

Uruguay's export and investment promotion agency, **Uruguay XXI**, helps potential investors navigate Uruguayan laws and rules.

Competition and Anti-Trust Laws

Uruguay has transparent legislation established by the Commission for the Promotion and Defense of Competition at the Ministry of Economy to foster competition. The main legal r
(Law No. 18,159 and decree 404, both passed in 2007) are available at the commission's s

https://www.mef.gub.uy/578/5/areas/defensa-de-la- percent20competencia—uruguay.html .

A 2017 peer review of Uruguay´s competition law and policy is available at **https://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=1640** .

In 2001, Uruguay created regulatory and controlling agencies for telecommunications (URSEC) and water and energy. Notwithstanding, in 2010, the executive branch transferred URSEC's policy-design capacity to the National Telecommunications Directorate, leaving URSEC with only regulatory control attributes.

Uruguay passed an Audiovisual Communications Law (Law No. 19,307) in December 2014. Also known as the media law, it includes provisions on market caps for cable TV providers that could limit competition. In April 2016, Uruguay's Supreme Court ruled that these market caps and some local content requirements were unconstitutional. The new administration that took office March 1, 2020 proposed new legislation in April 2020 to change the media law.

Expropriation and Compensation

Uruguay's Constitution declares property rights an "inviolable right" subject to legal determinations that may be taken for general interest purposes and states that no individuals can be deprived of this right — except in case of public need and with fair compensation.

Article 6 of the U.S.–Uruguay BIT rules out direct and indirect expropriation or nationalization of private property except under specific circumstances. The article also contains detailed provisions on how to compensate investors, should expropriation take place. There are no known no cases of expropriation of investment from the United States or other countries within the past five years.

Dispute Settlement

International Center for the Settlement of Investment Disputes (ICSID) Convention and New York Convention

Uruguay became a member of the ICSID in September 2000 and is a signatory of the 195
York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

Investor–State Dispute Settlement

Local courts recognize and enforce foreign arbitral awards issued against the government. The U.S.–Uruguay BIT established detailed and expedited dispute settlement procedures.

Over the past decade, two U.S. companies have sued Uruguay before the World Bank´s ICSID. In 2010, the tobacco company Philip Morris International sued Uruguay, arguing that new health measures involving cigarette packaging amounted to unfair treatment of the firm. They filed the case under the Uruguay–Switzerland BIT, and in 2016 the ICSID ruled in Uruguay's favor. In 2015, U.S. telecom company Italba also sued Uruguay before ICSID, which in March 2019 ruled in Uruguay's favor. In May 2019, Panamanian company Latin American Regional Aviation Holding, registered a case against Uruguay under the 1988 Panama-Uruguay BIT. In 2017, a subsidiary of the Indian mining company Zamin Ferrous filed a lawsuit against Uruguay before the UN Commission on International Trade Law (UNCITRAL) under the 1991 UK-Uruguay BIT. As of May 2020, the two latter cases are pending resolution.

International Commercial Arbitration and Foreign Courts

Commercial contracts frequently contain mediation and arbitration clauses and local courts recognize them. Investors may choose between arbitration and the judicial system to settle disputes. Local courts recognize and enforce foreign courts' arbitral awards.

Duration of Dispute Resolution

Uruguay's judiciary is independent. The average time to resolve a dispute, counted from the moment the plaintiff files the lawsuit in court until payment, is about two years, according to contacts in local law firms. The courts' decisions are legally enforced and Uruguayan law respects international arbitration awards.

Bankruptcy Regulations

The Bankruptcy Law passed in 2008 (Law No. 18,387) expedites bankruptcy procedures, encourages arrangements with creditors before a firm may go bankrupt, and provides the possibility of selling the firm as a single unit. Bankruptcy has criminal and civil implications intentional or deliberate bankruptcy deemed a crime. The law protects the rights of credi according to the nature of the credit, and workers have privileges over other creditors.

The World Bank's 2020 *Doing Business Report* ranks Uruguay second out of twelve countries in South America for its ease of "resolving insolvency." Uruguay ranks 70th globally in this sub-index, well ahead of its overall aggregate global ranking of 101st for ease of doing business.

4. Industrial Policies

Investment Incentives

The investment promotion regime, regulated by Law No. 16,906 (passed in 1998), grants automatic tax incentives of up to 40 percent of corporate income tax to several activities, including personnel training, research, scientific and technological development, reinvestment of profits, and investments in industrial machinery and equipment. Uruguay provides other benefits to industrial and agricultural firms by regulatory decree.

In addition to the automatic tax exemptions, Uruguay has several other incentives for greenfield and brownfield investments that help achieve some of the government´s strategic goals, including creating jobs, contributing to geographical decentralization away from the capital, increasing exports, promoting research and development, and fostering the use of clean technologies. The principal incentive consists of the deduction from corporate income tax of a share of total investment over a pre-defined period. Other incentives include the exemption from tariffs and taxes on imports of capital goods and the refunding of the Value Added Tax paid on domestic purchases of certain goods.

There are also special regimes to promote specific sectors. Certain activities — such as the purchasing of land, real estate, or private vehicles — are not eligible for the benefits. In May 2020, the government issued a new decree to promote investment in large construction projects. Please refer to a detailed document on incentives to investment, available in English at **http://www.uruguayxxi.gub.uy/guide/schemes.html** .

Uruguay sometimes issues sovereign guarantees on operations. While it does not usually jointly finance FDI projects, in the recent and largest-ever UPM project, Uruguay committed to undertake a substantial amount of public work, which was a pre-condition to the investment.

Foreign Trade Zones/Free Ports/Trade Facilitation

Uruguay has increasingly promoted itself as a regional, world-class logistics and distribution hub. In 2010, Uruguay created the National Logistics Institute (INALOG by its Spanish acronym), a public-private sector institution that seeks to coordinate efforts towards establishing Uruguay as the leading Mercosur distribution hub. INALOG and Uruguay XXI have issued several reports on Uruguay's role and advantages as a logistics hub.

Uruguay established free trade zones (FTZs) in 1987 (Law No. 15,921). New legislation in 2017 (Law No. 19,566) included minor changes in tax benefits, streamlined the requirements and activities that companies must accomplish in order to be able to operate inside a FTZ, and improved international cooperation related to the prevention of international tax evasion. Full legislation and regulations are available at **http://zonasfrancas.mef.gub.uy/** . Almost all foreign investors surveyed in 2018 were satisfied or highly satisfied with Uruguay's free trade zones and free ports.

There are 11 FTZs located throughout the country with additional FTZs being contemplated. Most FTZs host a wide variety of tenants performing various services, including, financial, software development, call centers, warehousing, and logistics. One FTZ is dedicated exclusively to the development of pharmaceuticals, and two to the production of paper pulp. Mercosur regulations treat products manufactured in most member states' FTZs, with the exception of Tierra del Fuego, Argentina and Manaus, Brazil, as extra-territorial and charge them the common external tariff upon entering any member country. As a result, industrial production in local FTZs is usually destined for non-Mercosur countries.

Firms may bring foreign and Uruguayan origin goods, services, products, and raw materials into the FTZs. Firms may hold, process, and re-export the goods without payment of Uruguayan customs duties or import taxes. Uruguay exempts firms operating in FTZs from national taxes. Laws governing legal monopolies do not apply within the FTZs. Additionally, the employer does not pay social security taxes for non-Uruguayan employees who have waived coverage under the Uruguayan social security system. Uruguay treats goods of Uruguayan origin entering FTZs as Uruguayan exports for tax and other legal purposes.

Uruguay has other special import regimes in place called "temporary admission," "bonded warehouse," and "free port." The temporary admission regime allows manufacturers to import duty-free raw materials, supplies, parts, and intermediate products they will use in manufacturing products for export. However, the regime requires government authorization, and firms must export all finished products within 18 months. Firms do not have to be in a specific location to benefit from temporary admission. Free ports and bonded warehouses are special areas where goods that remain on the premises are exempted from all import-related duties and tariffs. The two main differences between free ports and bonded warehouses are that goods can stay for an unlimited amount of time in free ports and up to one year in bonded warehouses, and that firms may not significantly modify goods in free ports. Firms may engage in "industrialization," including limited product transformation, in bonded warehouses. Firms operating in both premises may re-label and re-package merchandise.

Law No. 17,547 passed in August 2002 allows for the establishment of industrial parks. Several additional decrees signed since 2007 allow for the establishment of sector-specific industrial parks. Industrial park advantages include tax exemptions and benefits, and private sector, national, or local governments may establish them. There are three industrial parks that operate under Law No. 17,547, and eleven that operate under state's regulations.

Performance and Data Localization Requirements

Foreign investors are not required to meet any specific performance requirements, and have not reported impediments or onerous visa, residence, or work permit requirements. The government does not require that nationals own shares or that the share of foreign equity be reduced over time, and does not impose conditions on the number of foreign workers or on investment permits. A labor-related requirement is that tenants of free trade zones employ at most 25 percent of foreign workers. The law provides that, in special cases, Uruguay can allow a higher percentage of foreign workers.

Article 8 of the U.S.–Uruguay BIT bans both countries from imposing certain performance requirements on new investments, or tying the granting of existing or new advantages to performance requirements.

Uruguay does not require foreign investors to use local content in goods or technology in order to invest. However, local content may be required in some sectors in order to become eligible for special tax treatment or government procurements. For instance, in 2016 the state-owned electric utility (UTE) offered a number of long-term purchase agreements for wind and solar generated electricity that included 20 percent local content requirements.

Uruguay does not require foreign IT providers to turn over source code or provide access for surveillance. Companies can freely transmit customer or business-related data across borders. Banks can transmit information out of Uruguay on their loan portfolios but not on their depositor base. Banks are obliged to provide information once a year to the local tax authority on their depositors. This information is exchanged with tax authorities from countries that enjoy Tax Information Exchange Agreements with Uruguay (Uruguay does not have a TIEA with the United States). Legislation governs the central government's computer system security requiring all assets to remain in Uruguay, except those that do not constitute a risk for the government. Uruguay's Agency for e-Government and Information Society is in charge of enforcing this regulation.

5. Protection of Property Rights

Real Property

Uruguay recognizes and enforces secured interests in property and contracts. Mortgages exist, and Uruguay has a recognized and reliable system of recording such securities. Uruguay's legal system protects the acquisition and disposition of all property, including land, buildings, and mortgages.

Law No. 19,283, passed in 2014, prevents foreign governments from buying land, either directly or in association with private companies. Traditional use rights are not applicable as there is no applicable indigenous community in Uruguay. The vast majority of land has clear property titles.

The three Frente Amplio administrations that ruled from March 2005 through February 2020 supported the unions' position that sit-ins or occupation of workplaces are an extension of workers' right to strike, thus enabling workers to lawfully occupy workplaces. Business chambers have opposed extending the definition of the right to strike to include the physical occupation of a workplace. The chambers have filed cases before the International Labor Organization (ILO) objecting to workplace occupations (see Labor Section for further information). The new Partido Nacional administration that took office in March 2020 announced it plans to roll back the Frente Amplio's measure on this front.

Intellectual Property Rights

Uruguay is a member of the World Intellectual Property Organization (WIPO), and a party to the Berne and Universal Copyright Conventions, as well as the Paris Convention for the Protection of Industrial Property. In March 2017, Uruguay's Office of the President sent a bill to parliament to adhere to WIPO's Patent and Cooperation Treaty. As of April 2020, the bill remained before the Senate's International Affairs Commission.

Some industry groups criticize the slowness of the patent-granting process, as well as the lack of data protection for proprietary research submitted as part of the grant process. They also criticize an amendment to the Patent Law (passed in a 2013 omnibus law) that eliminated provisional protection for patents during patent pendency, which removed the ability of patent right holders to claim damages for infringement of their rights from the date of the patent application filing up to its granting date.

While enforcement of trademark rights has improved in recent years, local citizens have sometimes managed to register trademarks without owners' prior consent. Customs officers have border measures authority for trademark protection. After temporarily freezing a shipment of suspicious goods, Customs has to communicate with the local representatives of the trademarks' right-holders to determine the legality of the goods and seek cooperation.

Uruguay tracks and reports on Custom's seizures of goods, some of which are counterfeit. Information can be found at **https://www.aduanas.gub.uy/innovaportal/v/10500/1/innova.front/incautacion-de-mercaderias.html** . However, there is no centralized dedicated reporting system for seizures of counterfeit goods.

Uruguay is not on the Office of the U.S. Trade Representative's (USTR) Special 301 report nor on the Notorious Markets List.

For additional information about national laws and points of contact at local IP offices, please see WIPO's country profiles at **http://www.wipo.int/directory/en/.**

6. Financial Sector

Capital Markets and Portfolio Investment

Uruguay passed a capital markets law (No. 18,627) in 2009 to jumpstart the local capital market. However, despite some successful bond issuances by public firms, the local capital market remains underdeveloped and highly concentrated in sovereign debt. This makes it very difficult to finance business ventures through the local equity market, and restricts the flow of financial resources into the product and factor markets. Due to its underdevelopment and lack of sufficient liquidity, Uruguay typically receives only "active" investments oriented to establishing new firms or gaining control over existing ones and lacks "passive investments" from major investment funds.

The government maintains an open attitude towards foreign portfolio investment; there is no effective regulatory system to encourage or facilitate it. Uruguay does not impose any restrictions on payments and transfers for current international transactions.

Uruguay allocates credit on market terms, but long-term banking credit has traditionally been difficult to obtain. Foreign investors can access credit on the same market terms as nationals.

As part of the process of complying with OECD requirements (see Bilateral Investment Agreements section), Uruguay banned "bearer shares" in 2012, which had been widely used. Private firms do not use "cross shareholding" or "stable shareholder" arrangements to restrict foreign investment, nor do they restrict participation in or control of domestic enterprises.

Money and Banking System

Uruguay established the Central Bank (BCU) in 1967 as an autonomous state entity. With over 40 percent of the market, the government-owned Banco de la República Oriental del Uruguay (BROU) is the nation's largest bank. The rest of the banking system comprises a government-owned mortgage bank and nine international commercial banks. The BCU's Superintendent of Financial Services regulates and supervises foreign and domestic banks or branches alike. The banking sector is healthy, with good capital and liquidity ratios.

Since Uruguay's establishment of a financial inclusion program in 2011, and especially after the passage of a financial inclusion law in 2014 (No. 19,210), the use of debit cards, credit cards, and bank account holders has increased significantly. Uruguay has authorized a number of private sector firms to issue electronic currency. In 2018, the BCU and the BROU developed a pilo
program to assess the possibility of implementing an electronic currency, the e-peso. With

to technological innovation in the financial sector, the first regional Fintech Forum was held in Montevideo in 2017, leading to the creation of the Fintech Ibero-American Alliance. While some local firms have developed domestic and international electronic payment systems, emerging technologies like blockchain and crypto currencies remain underdeveloped.

Mostly related to the United States' Foreign Account Tax Compliance Act provisions, there have been some cases of U.S. citizens having difficulties establishing a first-time bank account.

Foreign Exchange and Remittances

Foreign Exchange

Uruguay maintains a long tradition of not restricting the purchase of foreign currency or the remittance of profits abroad. Free purchases of any foreign currency and free remittances were preserved even during the severe 2002 financial crisis.

Uruguay does not engage in currency manipulation to gain competitive advantage. Since 2002, the peso has floated relatively freely, albeit with intervention from the Central Bank aimed at reducing the volatility of the price of the dollar. Foreign exchange can be obtained at market rates and there is no black market for currency exchange.

Remittance Policies

Uruguay maintains a long tradition of not restricting remittance of profits abroad.

Article 7 of the U.S. – Uruguay BIT provides that both countries "shall permit all transfers relating to investments to be made freely and without delay into and out of its territory." The agreement also establishes that both countries will permit transfers "to be made in a freely usable currency at the market rate of exchange prevailing at the time of the transfer."

Sovereign Wealth Funds

There are no sovereign wealth funds in Uruguay.

7. State-Owned Enterprises

The State still plays a dominant role in the economy and Uruguay maintains government monopolies or oligopolies in certain areas, including the importing and refining of oil, workers compensation insurance, and landline telecommunications.

Uruguay's largest state-owned enterprises (SOEs) include the petroleum, cement, and alcohol company ANCAP, telecommunications company ANTEL, electric utility UTE, water utility OSE, and Uruguay's largest bank BROU. While deemed autonomous, in practice these enterprises coordinate in several areas — mainly on tariffs — with their respective ministries and the executive branch. The boards of these entities are appointed by the executive branch, require parliamentary approval, and remain in office for the same term as the executive branch. Uruguayan law requires SOEs to publish an annual report, and independent firms audit their balances. There is no consolidated published list of SOEs.

Some traditionally government-run monopolies are open to private-sector competition. Cellular and international long-distance services, insurance, and media services are open to local and foreign competitors. Uruguay permits private-sector generation of power and private interests dominate renewable energy production, but the state-owned power company UTE holds a monopoly on the transfer of electrical power through transmission and distribution lines from one utility's service area to another's, otherwise known as wheeling rights. State-owned companies tend to have the largest market share even in sectors open to competition. Potential cross-subsidies likely give SOEs an advantage over their private sector competitors.

Uruguay does not adhere to the OECD's Guidelines on Corporate Governance of State-Owned Enterprises. The new government plans to reform and increase the efficiency of its SOEs.

Privatization Program

Uruguay has not undertaken a major privatization program in recent decades. While Uruguay opened some previously government-run monopolies to private-sector competition, the government continues to maintain a monopoly in the import and refining of petroleum as well as landline telecommunications.

Parliament passed a public-private partnership (PPP) law in 2011 and created regulations with decree 007/12. The law allows private sector companies to design, build, finance, operate, maintain certain infrastructure, including brownfield projects. With some exceptions (such medical services in hospitals or educational services in schools), PPPs can also be applied to social infrastructure. The return for the private sector company may come in the form of user payments, government payments, or a combination of both.

In 2015, Uruguay passed new regulations (Decree 251/15) to simplify the procedures and expedite the PPP process. The only fully operational project to date is a USD$93 million prison. As of April 2020, there are three PPP projects in the implementation phase, the largest of which is a 170-mile railroad for approximately USD$1 billion. There is a pipeline of ten other projects for USD$873 million, in different stages of development, related to roads, education, and health.

8. Responsible Business Conduct

The concept of Responsible Business Conduct (RBC) is relatively new to producers, consumers, and the government. The government has not developed a national action plan on RBC. However, many companies do abide by relevant principles as a matter of course. Many multinational companies promote RBC awareness and make significant contributions in promoting safety, better regulation, a positive work environment, and sustainable environmental practices. U.S. companies have proven to be leaders in promoting a greater awareness of and appreciation for RBC in Uruguay.

Consumers tend to pay attention to the RBC image of companies, especially as it relates to a firm's work with local charities or community causes. The Catholic University (Universidad Catolica) has a program in place to monitor RBC matters (**http://www.ucu.edu.uy/es/rse**). In the late 1990s, the Catholic University also founded **DERES** , a non-profit business organization to promote corporate social responsibility, which currently has over 120 member companies.

9. Corruption

Transparency International's 2019 edition of the *Corruption Perception Index* ranked Uruguay as having the lowest levels of perceived corruption in Latin America and the Caribbean in its 2019 edition of the *Corruption Perception Index*. Overall, U.S. firms have not identified corruption as an obstacle to investment.

Uruguay has laws to prevent bribery and other corrupt practices. It approved a law against corruption in the public sector in 1998 (No. 17,060), and the acceptance of a bribe is a felony under Uruguay's penal code. The government prosecuted some high-level Uruguayan officials from the executive, parliamentary, and judiciary branches for corruption in recent years. The government neither encourages nor discourages private companies to establish internal codes of conduct.

The Transparency and Public Ethics Board (JUTEP by its Spanish acronym, **http://www.jutep.gub.uy/**) is the government office responsible for dealing with public sector corruption. Traditionally a low-profile office and still with a limited scope, it gained relevance in face of a case that ended in the resignation of Uruguay´s Vice-President in 2017. Since then, JUTEP has played a role in denouncing alleged nepotism in the public sector. There are no major NGOs involved in investigating corruption.

A 2017 law (No. 19,574) sets an integral framework against money laundering and terrorism finance, brings Uruguay into compliance with OECD and UN norms, and includes corruption as a predicate crime. Uruguay signed and ratified the UN's Anticorruption Convention. It is not a member of the OECD and therefore is not party to the OECD's Convention on Combating Bribery.

Resources to Report Corruption

Government agency responsible for combating corruption:

Junta de Transparencia y Ética Publica
As of May 2020 the presidency is vacant
Address: Rincon 528, 8th floor, ZC 11000
Tel: (598) 2917 0407
E-mail: **secretaria@jutep.gub.uy**

Local branch of Transparency International: **http://www.uruguaytransparente.uy**

10. Political and Security Environment

Uruguay is a stable democracy in which respect for the rule of law and transparent natior debates to resolve political differences are the norm. The majority of the population is committed to non-violence. In 2020, the *Economist* magazine ranked Uruguay as one of only two "full democracies" in South America. There have been no cases of political violence or damage to projects or installations over the past decade.

Violent crime is on the rise in Uruguay. Rising crime rates have alarmed business owners. The issue of deteriorating citizen security was a central issue in the October 2019 presidential election and is a top priority of the new administration. 11. Labor Policies and Practices

11. Labor Policies and Practices

Tracking strong economic growth, Uruguay's labor market operated at virtually full employment with rising labor costs until 2014. Following an increasingly flagging economy since 2015, the unemployment rate rose substantially and wage increases moderated. Unemployment is structurally higher among the youth, especially among women. In recent years, there has been a significant increase in migrant workers, in particular from Venezuela, Cuba, and the Dominican Republic. In addition, the declining quality of Uruguay's public education system may limit the number of qualified workers available over the mid- to long-term. There is a structural shortage of workers in the IT sector and other specialized technical industries. Labor-intensive businesses are increasingly under stress, and new business creation in Uruguay is not replacing the better-paying jobs lost from exiting private sector enterprises. While global workforces are under stress from automation and business consolidation, in Uruguay the aggressive labor movement, high taxes, and low corporate profit margins further exacerbate the domestic labor situation.

Uruguay's labor system is compliant in law and practice with most international labor standards. The Uruguayan Constitution and supporting laws guarantee workers the right to organize, strike, and engaged in union activities without fears of dismissal. Uruguay has ratified numerous International Labor Organization conventions that protect worker rights, and generally adheres to their provisions. Reports by the UN's Economic Commission for Latin America and the Caribbean indicate that the percentage of informal workers has dropped significantly over the past decade.

Domestic and foreign business owners and managers often describe local labor laws as rigid and very burdensome. Uruguay ranked 108th (of 141 countries) in the labor market flexibility i[illegible] of the 2019 edition of the World Economic Forum's *Global Competitiveness Index.* It also rank[illegible] in the "flexibility of wage determination" sub-index.

Arguing that unions are particularly aggressive and that labor conflicts escalate quickly, private sector representatives have called for the creation of a labor-dispute process that would define the necessary steps needed before workers may strike or occupy a workplace. Several labor unions espouse strongly leftist-ideological, "anti-imperialist," and anti-capitalist positions. Uruguay ranked 138th (of 141 countries) in the "cooperation in labor-employer relations" sub-index of the 2019 edition of the World Economic Forum's *Global Competitiveness Index.*

Many foreign investors report high absentee rates by employees and resulting lower-than-average productivity rates. Productivity is not included in the negotiations that take place in the country's Salary Councils which determine policy on wage adjustments.

Labor unions are nominally independent from the government, but in practice have a close relationship with the left-leaning Frente Amplio coalition, which ruled from March 2005 through February 2020. For years, Communist Party leaders have occupied leading positions in the unions and inside the Ministry of Labor. Unionization quadrupled from about 110,000 in 2003 to over 400,000 in 2018 (almost one-fourth of employed workers), and is particularly high in the public sector and some private sectors, such as construction, the metal industry, and banking.

The three Frente Amplio administrations passed over 30 labor laws. Some of these laws promote and protect labor unions, reinstate collective bargaining, regulate outsourcing activities, regulate work times in rural activities, extend the term to claim worker's rights, relate to the eviction of employees who occupy workplaces, and impose criminal sanctions on employers who fail to adopt safety standards in their firms.

Private sector representatives expect the newly installed administration, a coalition of five parties led by the Partido Nacional, will take a more balanced approach at labor relations during its five-year term.

Collective bargaining is practiced in Uruguay. Salary councils are responsible for assessing wage increases annually at a sectoral level. The councils then apply agreed-upon wage increases to all individual firms in the sector, irrespective of their size or geographical location. Councils consist of a three-party board, which includes representatives from unions, employers, and the government. If unions and employers fail to reach an agreement to determine the wage increase, the government makes the final decision. Under former Frente Amplio administ
business leaders often asserted that the salary councils' decisions were slanted toward lab

interests. It is unclear how the change in government will affect the balance of power in the councils going forward.

Labor provisions apply across the board, and the government does not normally issue waivers to attract or retain investment. With the exception of the construction sector, social security payments are approximately 13 percent of workers' basic salary. Including health care insurance, social security, and other charges, employers pay approximately 40 percent of a worker's basic total salary to the government. In addition, there is a mandatory annual bonus and vacation pay, which result in employers paying the equivalent of 14 months of salary per employee each year.

Labor laws do not differentiate between layoffs and firing, unless the firing is "for cause." Employers must pay dismissed workers one month for each year of work with a cap of six months, except in cases of "for cause" firings. Dismissals often result in labor conflicts, even if dismissals are required to adjust employment to fluctuating market conditions. Unemployment insurance pays workers a percentage of their salary for up to six months. In the past, the government has extended the term of the unemployment insurance for select groups of laid-off workers. In labor trials, the judiciary tends to rule in favor of the worker, assuming the worker to be the disadvantaged party.

12. U.S. International Development Finance Corporation (DFC) and Other Investment Insurance Programs

Legacy DFC (previously OPIC) programs are active in Uruguay. Uruguay signed an investment insurance agreement with OPIC in 1982. However, Uruguay is generally ineligible for future DFC projects due to the country's high-income designation.

13. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) ($M USD)	2019	$ 56,053	2018	$59,597	http://www.bcu.gub.uy/Estadistics e Indicadores/Paginas/Default.aspx www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)	2018	$ 1,586	2018	$1,314	BCU estadisticas e indicadores. http://bea.gov/international/ direct_investment_multinational_ companies_comprehensive_data.htm
Host country's FDI in the United States ($M USD, stock positions)	N/A	N/A	2018	$92	https://www.bea.gov/ international/factsheet
Total inbound stock of FDI as % host GDP	2018	50%	N/A	N/A	

*** http://www.bcu.gub.uy/Estadisticas-e-Indicadores/Paginas/Default.aspx**

Uruguay's Central Bank reports the United States was the second largest foreign investor in FDI flows Uruguay in 2018, after Spain. U.S. investment is distributed among a wide array of sectors, including forestry, tourism and hotels, services (e.g., call centers or back office), and telecommunications.

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data			
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*			
Inward Direct Investment			Outward Direct Investment
Total Inward	29,073	100%	Total Outward
Spain	8,249	28%	
Argentina	4,263	15%	
Switzerland	3,784	13%	N/A
Chile	1,732	6%	
United States	1,585	5%	
"0" reflects amounts rounded to +/- USD 500,000.			

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, current US Dollars) June 2019								
Total			Equity Securities			Total Debt Securities		
All Countries	9,119		All Countries	1,026	100%	All Countries	8,093	
United States	3,317	36%	Luxembourg	420	41%	United States	3,195	39%
Luxembourg	614	7%	United States	123	12%	The Netherlands	407	5%
Brazil	531	6%	U.K.	83	8%	Brazil	379	5%
The Netherlands	411	5%	Bermuda	74	7%	France	333	4%
France	335	4%	Ireland	66	6%	Australia	332	4%

Source: IMF Coordinated Direct Investment Survey

14. Contact for More Information

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